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May 22, 2003

Mr. Ron Butters
Bechtel Nevada
PO Box 98521 MS CS026
Las Vegas, NV 89193-8521

**FY2002 FUNCTIONAL SUPPORT COST REPORT (FSCR) PEER REVIEW-
BECHTEL NEVADA/NEVADA TEST SITE**

Dear Mr. Butters:

We have reviewed the Functional Support Cost Report (FSCR) of Bechtel Nevada /Nevada Test Site (NTS) for FY2002. The purpose of our review was to confirm that the data reported by NTS complied with the guidelines and definitions.

NTS FY2002 Functional Support Cost Report Process

After reviewing the guidelines of the FSCR, Bechtel Nevada extracted all FSCR cost from the site's Data Warehouse (IBIDS). Each cost was associated with an Organization ID. After verification that all appropriate cost is captured, Bechtel Nevada mapped cost to the Functional Support Cost Report categories primarily by Organization ID.

Issues/Concerns identified during the Peer Review:

1. Executive Direction has \$2.5M of cost associated with Business Applications Modernization (BAM) project; \$36K of Project Planning & Control (PP&C) cost; \$142K of Information Services cost and \$1.3M of program management cost

Team Recommendation: Reassign BAM cost to other FSCR categories; Re-categorize cost of PP&C to category #7 Program/Project Planning & Control; Reassign cost of Information Services to category #9 Information Services; Re-categorize cost of program management cost to Mission Direct

Site Response: Need to consider the system limitations and appropriate category.

2. Human Resources has \$175K in training cost

Team Recommendation: Move \$13K (Project #V120) to category #12 Safety & Health and the balance to Mission Direct

Site Response: Need to consider system limitations.

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3. Central Administrative Services has of \$4M of administrative assistant type cost that can be re-categorized

Team Recommendation: Reassign administrative services cost to functional areas supported; \$2.3M to Mission Direct, \$1.1M to Facilities Management; \$197K to Safety & Health; \$93K to Environmental; \$70K to Logistics Support; \$54K to CFO \$31K to Information Services ; \$22K to Maintenance and \$52K to Utilities

Site Response: Will review the process for correctly assigning organization numbers for administration services employees.

4. A combined total of \$6.6M of project control cost are in Mission Direct (\$5.2M); Mission Support (\$.8M) & General Support (\$.6M)

Team Recommendation: Collect all project control cost in Category #7 Program/Project Planning & Control

Site Response: Will review the system limitations to incorporate reporting of specific individuals.

5. Logistic Support has a net of \$208K in fuel excise tax

Team Recommendation: Move to Category #21 Taxes

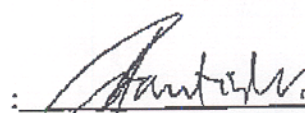
Site Response: Will incorporate recommendation for FY03 reporting.

Accuracy Assessment

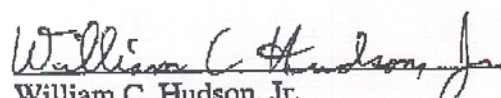
It appears to the Peer Review Team that Bechtel Nevada has met the intent of the FSCR guidelines and definitions resulting in acceptable accuracy of the data. In addition, Bechtel Nevada has incorporated the recommendation(s) made during the last FSCR Peer review in 1999.

As noted in the last Peer Review Team's report, DOE-Nevada (NNSA) continues to add cost of other sites/major subcontracts to Bechtel Nevada's functional support cost for NTS.

We would like to thank Ms. April McHenry and Mr. Duey Swenson for their help and support.


Armando R. Bautista, Jr., Peer Review Team Lead
Lawrence Berkeley National Laboratory, LBNL

5/22/03
Date


William C. Hudson, Jr.
BWXT Y-12

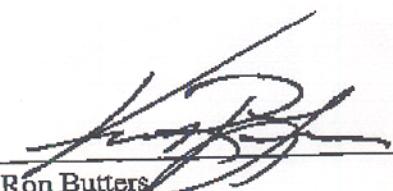
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for Ron Butters
Bechtel Nevada

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